

VILLAGE OF LENNON
FINANCIAL STATEMENTS
JUNE 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Lennon	County Shiawassee & Genesee
Audit Date 6/30/04	Opinion Date 10-12-04	Date Accountant Report Submitted to State: 11-12-04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | |
|---|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Demis and Wenzlick, PC			
Street Address 217 N. Washington, Suite 201		City Owosso	State MI
Accountant Signature <i>Geraldine Perry, CPA</i>		ZIP 48867	Date 11-12-04

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DEMIS and WENZLICK, P.C.

Certified Public Accountants

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To the Honorable President
and Village Council
Village of Lennon, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Village of Lennon, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Village of Lennon, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements of the Village's governmental activities, business like activities and discretely presented component units are not reasonably determinable.

In our opinion, except for the omission of the information mentioned in the preceding paragraph, the General Purpose Financial Statements referred to above present fairly, in all material respects, the financial position of the Village of Lennon, at June 30, 2004 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the General Purpose Financial Statements taken as a whole. The accompanying financial information listed as supporting schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the General Purpose Financial Statements of the Village of Lennon. The information has been subjected to the auditing procedures applied in the examination of the General Purpose Financial Statements and, in my opinion, is fairly stated in all material respects in relation to the General Purpose Financial Statements taken as a whole.

Dennis and Lengyel, P.C.

Certified Public Accountants

Owosso, Michigan
October 12, 2004

VILLAGE OF LENNON
COMBINED BALANCE SHEET - ALL FUNDS AND ACCOUNT GROUPS
JUNE 30, 2004

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>PROPRIETARY FUND TYPES ENTERPRISE</u>	<u>ACCOUNT GROUP GENERAL FIXED ASSETS</u>	<u>ACCOUNT GROUP GENERAL LONG-TERM DEBT</u>
ASSETS:						
Cash	\$ 10,401	\$36,113	\$ 2,197	\$ 6,924	\$	\$
Accts. Rec.	5,286			13,183		
Due from Other Funds	127,802	30	18,600	10,997		
Special Assmts. Rec.				936		
Long-Term Assets Special Assmts. Rec.				3,720		
Fixed Assets (Net of Accum Depr)					242,771	
Amt. To be Provided for Retirement of Long-Term Debt				308,114		64,500
	<u>\$143,489</u>	<u>\$36,143</u>	<u>\$ 20,797</u>	<u>\$343,874</u>	<u>\$242,771</u>	<u>\$64,500</u>
LIABILITIES:						
Accts. Pay	\$ 4,801	\$ 1,335	\$	\$ 201	\$	\$
Due to Other Funds	10,997	30		146,402		
Due to Other Entities				102		
Long-Term Contracts Payable						64,500
TOTAL LIAB.	\$ 15,798	\$ 1,365	\$	\$146,705	\$	\$64,500
FUND EQUITY:						
Investment in General Fixed Assets	\$	\$	\$	\$	\$242,771	\$
Retained Earnings				197,169		
Fund Balance	<u>127,691</u>	<u>34,778</u>	<u>20,797</u>			
TOTAL LIABILITIES AND FUND EQUITY	<u>\$143,489</u>	<u>\$36,143</u>	<u>\$ 20,797</u>	<u>\$343,874</u>	<u>\$242,771</u>	<u>\$64,500</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL -ALL GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	GENERAL FUND			SPECIAL REVENUE FUND TYPES			CAPITAL PROJECT FUND TYPES		
	BUDGET	ACTUAL	ACTUAL (OVER) UNDER BUDGET	BUDGET	ACTUAL	ACTUAL (OVER) UNDER BUDGET	BUDGET	ACTUAL	ACTUAL (OVER) UNDER BUDGET
REVENUES:									
Property Taxes	\$ 77,000	\$ 82,151	\$ (5,151)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Shared Revenues	50,000	51,758	(1,758)	35,770	36,037	(267)	0	0	0
Charges for Services	0	0	0	0	0	0	0	0	0
Licenses and Permits	5,200	5,862	(662)	0	0	0	0	0	0
Interest Income	131	139	(8)	85	179	(94)	0	8	(8)
Cable TV	6,500	2,910	3,590	0	0	0	0	0	0
Other Income	6,500	8,469	(1,969)	0	0	0	0	1,550	(1,550)
TOTAL REVENUES	\$ 145,331	\$ 151,289	\$ (5,958)	\$ 35,855	\$ 36,216	\$ (361)	\$ 0	\$ 1,558	\$ (1,558)
EXPENDITURES:									
Village Council	\$ 48,450	\$ 33,007	\$ 15,443	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Clerk	6,111	6,012	99	0	0	0	0	0	0
Treasurer	7,086	6,952	134	0	0	0	0	0	0
Hall and Grounds	5,900	4,505	1,395	0	0	0	0	0	0
Police	72,600	94,838	(22,238)	0	0	0	0	0	0
Building Inspector	3,850	3,751	99	0	0	0	0	0	0
Public Utilities	7,500	6,864	636	0	0	0	0	0	0
Library	9,500	9,609	(109)	0	0	0	0	0	0
Election	1,400	1,364	36	0	0	0	0	0	0
Highways and Streets	0	0	0	57,995	30,961	27,034	0	0	0
Other Expenditures	0	0	0	0	0	0	0	1	(1)
TOTAL EXPENDITURES	\$ 162,397	\$ 166,902	\$ (4,505)	\$ 57,995	\$ 30,961	\$ 27,034	\$ 0	\$ 1	\$ (1)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (17,066)	\$ (15,613)	\$ (1,453)	\$ (22,140)	\$ 5,255	\$ (27,395)	\$ 0	\$ 1,557	\$ (1,557)
OTHER FINANCING SOURCES : (USES OF FUNDS)									
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,842	\$ (5,842)	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	0	0	(5,842)	5,842	0	0	0
EXCESS REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES AND USES	\$ (17,066)	\$ (15,613)	\$ (1,453)	\$ (22,140)	\$ 5,255	\$ (27,395)	\$ 0	\$ 1,557	\$ (1,557)
Fund Balance - June 30, 2003		143,304			29,523			19,240	
Fund Balance - June 30, 2004		\$ 127,691			\$ 34,778			\$ 20,797	

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2004

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>
REVENUES:			
Property Taxes	\$ 82,151	\$	\$
State Shared Revenues	51,758	36,037	
Licenses, Fines, Permits	5,862		
Interest Income	139	179	8
Other Income	2,910		1,550
Cable TV	<u>8,469</u>		
TOTAL REVENUES	\$151,289	\$ 36,216	\$ 1,558
EXPENDITURES:			
Village Council	\$ 33,007	\$	\$
Elections	1,364		
Clerk	6,012		
Treasurer	6,952		
Hall and Grounds	4,505		
Police	94,838		
Building Inspector	3,751		
Public Utilities	6,864		
Library	9,609		
Highways & Streets	-0-	30,961	
Other			<u>1</u>
TOTAL EXPENDITURES	<u>\$166,902</u>	\$ <u>30,961</u>	\$ <u>1</u>
EXCESS OF REVENUES OVER			
EXPENDITURES (EXPENDITURES			
OVER REVENUES	\$(15,613)	\$ 5,255	\$ 1,557
Transfers In	\$ -0-	\$ 5,842	\$ -0-
Transfers Out	<u>-0-</u>	<u>(5,842)</u>	<u>-0-</u>
TOTAL OTHER FINANCING			
SOURCES (USES)	\$ -0-	\$ -0-	\$ -0-
Excess of Revenues over			
Expenditures and Other			
Financing Sources	\$(15,613)	\$ 5,255	\$ 1,557
Fund Balance 7-1-03	<u>143,304</u>	<u>29,523</u>	<u>19,240</u>
FUND BALANCE 6-30-04	<u>\$127,691</u>	\$ <u>34,778</u>	<u>\$20,797</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 2004

REVENUES:	
Sewer Fees	\$ 51,054
Interest on Tap-Ins	254
Penalties	805
Interest Income/Other	<u>157</u>
TOTAL REVENUES	\$ 52,270
OPERATING EXPENSES:	
Administrative Wages	\$ 361
Social Security	0
Bank Charges & Misc.	354
Maintenance/Prof. Fees	35,183
Depreciation	11,160
Interest Expense	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>47,058</u>
OPERATING INCOME (LOSS)	\$ 5,212
Retained Earnings July 1, 2003	<u>191,957</u>
RETAINED EARNINGS JUNE 30, 2004	<u><u>\$197,169</u></u>

The accompanying notes are an integral
 part of the financial statements.

VILLAGE OF LENNON
STATEMENT OF CASH FLOW
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2004

Cash Flows from Operating Activities:	
Net Income (Loss)	\$ 5,212
Add (Deduct) Items not Affecting Cash:	
Depreciation	11,160
(Increase) in Receivables	(9,129)
(Decrease) in Payables	(8,230)
(Decrease) in Due to Other Funds	(1,000)
Increase in Due to Other Entities	<u>102</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (1,885)
Cash Flows from Financing Activities:	
Retirement of Debt	<u>0</u>
NET DECREASE IN CASH	\$ (1,885)
Cash and Cash Equivalents at the Beginning of the Year	<u>8,809</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u><u>6,924</u></u>
Supplemental Disclosure of Cash Flow Information:	
Cash Paid During the Year For:	
Interest	\$ <u><u>0</u></u>

Disclosure of Accounting Policy:
For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Lennon conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

FUND ACCOUNTING

The accounting of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

GOVERNMENT FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction or major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) or providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUNDS (CONTINUED)

(b) Where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIXED ASSETS

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements including buildings, but other than roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems and lighting systems are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

This account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS (CONTINUED)

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives used are as follows:

Fixed Assets (Enterprise Funds)	50 years
---------------------------------	----------

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting government and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (CONTINUED)

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception of this general rule is accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued.

All proprietary funds are accounted for using the accrual basis method of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Village to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Fund and Enterprise Funds.
6. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS

Investments are stated at cost or amortized cost, which approximated market.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

Short-term interfund loans are classified as "due from other funds" or "due to other funds" on the balance sheet. Transactions occurring between individual funds for goods provided or services rendered are also classified as "due to other funds" or "due from other funds" on the balance sheet.

RESTRICTED ASSETS

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase orders, contracts, or other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation-is utilized in the government fund types. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no significant encumbrances at year end.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

POST EMPLOYMENT HEALTH CARE BENEFITS COBRA BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) the township makes health care benefits available to certain former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. There are no participants in this program as of June 30, 2004.

COMPENSATION ABSENCES

The Village allows employees seven days of sick time per year, which cannot be accumulated beyond one year. Extended sick time is covered under a disability insurance policy through Shenandoah Life Insurance Company of which the Village pays 100% of the premiums. Earned vacation time is required to be used within the year.

No liability is accrued at June 30, 2004, as it is less than one year's liability.

LONG-TERM OBLIGATIONS

The portion of long-term debt expected to be financed from expendable available financial resources is recognized as a liability of a governmental fund when due. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities are expected to be financed from proprietary fund operations are accounted for in those funds.

COMPARATIVE DATA

Comparative (i.e. presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES

Property taxes attach an enforceable lien on property by the county. Taxes are levied on June 30, and payable on September 15. The Village bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance Law of the State to levy taxes up to 15 mills total. The Village Council has allocated 8.9223 mills for governmental services.

NOTE B - REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Village of Lennon includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent on the Village's executive or legislative branches (the Village Mayor or the Council, respectively). Control by or dependence on the Village was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Village obligations of the Village to finance any deficits that may occur or receipt of significant subsidies from the Village.

Based on the foregoing criteria, there were no organizations that needed to be included in the Village's annual report.

NOTE C - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	06-30-03 <u>BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	06-30-04 <u>BALANCES</u>
Land	\$ 2,500	\$ -0-	\$ -0-	\$ 2,500
Bldgs. & Improve.	154,785	-0-	-0-	154,785
Mach. & Equip.	61,797	18,900	18,500	62,797
Furn. & Fixt.	<u>20,089</u>	<u>3,200</u>	<u>-0-</u>	<u>23,289</u>
	<u>\$239,171</u>	<u>\$22,100</u>	<u>\$18,500</u>	<u>\$242,771</u>

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2004

NOTE D - EXCESS F EXPENDITURES OVER APPROPRIATIONS IN
BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (a), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

In the body of the financial statements, the Villages actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for the budgetary funds were adopted to the line item level.

During the year ended June 30, 2004, the village incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>APPROPRIATED</u>	<u>ACTUAL</u>	<u>ACTUAL OVER APPROPRIATED</u>
General Fund:			
Police	\$ 72,600	\$94,838	\$ (22,238)
Library	9,500	9,609	(109)
Revolving & Improvement:			
Bank Fees	-0-	1	1
Sewer Fund:			
Operating	26,950	47,058	(20,108)

NOTE E - CASH AND CERTIFICATES OF DEPOSIT

The Village's deposits at June 30, 2004, consisted of cash and certificate of deposit at one financial institution.

<u>INSTITUTION A</u>	<u>AMOUNT</u>	<u>FDIC INSURED</u>	<u>UNINSURED</u>
Cash	\$ 55,635	\$ 55,635	\$ -0-

VILLAGE OF LENNON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2004

NOTE F - SPECIAL ASSESSMENT FUND

The Government Accounting Standards Board Statement #6, eliminates the reporting of special assessment funds separately in the financial statements. The special assessment fund has been combined with existing proprietary funds in the accompanying financial statements. Deferred revenues were combined with retained earnings of the proprietary funds.

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2004, individual interfund receivables and payables were:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$127,802	\$ 10,997
Sewer Fund	10,997	146,402
Revolving & Improvement	18,600	
Major Street	30	1,303
Local Street	<u>0</u>	<u>30</u>
	<u>\$157,429</u>	<u>\$157,429</u>

NOTE H - GENERAL LONG-TERM DEBT

On June 9, 2003, the Village entered into an agreement with Venice Township to purchase the township's former fire hall. The purchase price is \$75,250. to be paid in seven equal installments of \$10,750. The first payment is to be July 1, 2003 and annually thereafter. This is a non-interest bearing contract.

The annual principal requirements are as follows:

2004	\$10,750
2005	10,750
2006	10,750
2007	10,750
2008	10,750
2009	<u>10,750</u>
	<u>\$64,500</u>

FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

VILLAGE OF LENNON
GENERAL FUND
BALANCE SHEET
JUNE 30, 2004

ASSETS

Cash	\$ 10,401
Due from Other Funds	127,802
Accounts Receivable	<u>5,286</u>
	<u>\$143,489</u>

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$ 10,997
Accounts Payable	4,801
	<u>127,691</u>
Fund Balance	<u>\$143,489</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>
REVENUES:			
Current Property			
Taxes	\$ 77,000	\$ 82,151	\$ (5,151)
State Shared Rev.	50,000	51,758	(1,758)
Licenses, Permits,			
Fines	5,200	5,862	(662)
Interest Income	131	139	(8)
Cable TV	6,500	2,910	3,590
Other Income	<u>6,500</u>	<u>8,469</u>	<u>(1,969)</u>
TOTAL REVENUES	\$145,331	\$151,289	\$ (5,958)
EXPENDITURES:			
Village Council:			
Salaries	\$	\$ 2,700	\$
Social Security		200	
Supplies & Misc.		2,201	
Legal & Acctg.		10,385	
Insurance		2,571	
Equipment Purchases		4,200	
Principal Pymt-LTD		<u>10,750</u>	
TOTAL VILLAGE COUNCIL	\$ 48,450	\$ 33,007	\$ 15,443
Clerk:			
Salary	\$	\$ 5,510	\$
Social Security		420	
Insurance, Mileage		52	
Miscellaneous		<u>30</u>	
TOTAL CLERK	\$ 6,111	\$ 6,012	\$ 99

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>
EXPENDITURES:			
Treasurer:			
Salary	\$	\$ 6,403	\$
Travel & Misc.		30	
Insurance		30	
Social Security		489	
TOTAL TREASURER	\$ 7,086	\$ 6,952	\$ 134
Hall & Grounds:			
Supplies & Maint.	\$	\$ 2,886	\$
Insurance		133	
Utilities		1,486	
TOTAL HALL & GROUNDS	\$ 5,900	\$ 4,505	\$ 1,395
Police:			
Salary	\$	\$ 48,913	\$
Payroll Taxes		4,858	
Insurance		9,670	
Gas & Oil		1,679	
Supplies & Misc.		6,251	
Maintenance		5,614	
Police Cruiser Purch.		13,500	
Utilities		4,353	
TOTAL POLICE	\$ 72,600	\$ 94,838	\$ (22,238)
Building Inspector:			
Salaries	\$	\$ 3,485	\$
Social Security		266	
Supplies		0	
TOTAL BUILDING INSPECTOR	\$ 3,850	\$ 3,751	\$ 99
Public Utilities:			
Street Lights	\$	\$ 6,864	\$
TOTAL PUBLIC UTIL.	\$ 7,500	\$ 6,864	\$ 636
ELECTION:			
Election Wages	\$	\$ 281	\$
Supplies & Misc.	-0-	1,083	
TOTAL ELECTION	\$ 1,400	\$ 1,364	\$ 36

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
EXPENDITURES:			
Library:			
Salaries	\$	\$ 4,190	\$
Books		2,060	
Insurance		125	
Utilities		1,644	
Social Security		397	
Maint. & Misc.		<u>1,193</u>	
TOTAL LIBRARY	\$ 9,500	\$ 9,609	\$ (109)
TOTAL EXPENDITURES	<u>\$162,397</u>	<u>\$166,902</u>	\$ (4,505)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (17,066)</u>	\$ (15,613)	\$ <u>(1,453)</u>
Fund Balance July 1, 2003		<u>143,304</u>	
FUND BALANCE JUNE 30, 2004		<u>\$127,691</u>	

The accompanying notes are an integral
part of the financial statements.

SPECIAL REVENUE FUNDS

MAJOR STREET FUND

Major Street Fund is used to receive all Major Street monies paid to the Village by the state to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Major Street.

LOCAL STREET FUND

Local Street Fund is used to receive all Local Street monies paid to the Village by the state, to account for monies, received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Local Streets.

VILLAGE OF LENNON
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2004

	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>COMBINED</u>
ASSETS			
Cash in Bank	\$17,496	\$18,617	\$36,133
Due from Other Funds	<u>30</u>	<u>30</u>	<u>30</u>
	<u>\$17,526</u>	<u>\$18,617</u>	<u>\$36,143</u>
LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ 643	\$ 692	\$ 1,335
Due to Other Funds		30	30
Fund Balance	<u>16,883</u>	<u>17,895</u>	<u>34,778</u>
	<u>\$17,526</u>	<u>\$18,617</u>	<u>\$36,143</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004

	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>COMBINED</u>
REVENUES:			
State Shared Revenues	\$ 23,367	\$ 12,670	\$ 36,037
Interest Income	<u>91</u>	<u>88</u>	<u>179</u>
TOTAL REVENUES	\$ 23,458	\$ 12,758	\$ 36,216
EXPENDITURES:			
Highways & Streets	\$ <u>16,447</u>	\$ <u>14,514</u>	\$ <u>30,961</u>
TOTAL EXPENDITURES	\$ <u>16,447</u>	\$ <u>14,514</u>	\$ <u>30,961</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	\$ 7,011	\$ (1,756)	\$ 5,255
OTHER FINANCING SOURCES (USES) OF FUNDS:			
Transfers In	\$	\$ 5,842	\$ 5,842
Transfers Out	<u>(5,842)</u>	<u>-0-</u>	<u>(5,842)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(5,842)</u>	\$ <u>5,842</u>	\$ <u>-0-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES) OF FUNDS			
	\$ 1,169	\$ 4,086	\$ 5,255
Fund Balance July 1, 2003	<u>15,714</u>	<u>13,809</u>	<u>29,523</u>
FUND BALANCE JUNE 30, 2004	\$ <u><u>16,883</u></u>	\$ <u><u>17,895</u></u>	\$ <u><u>34,778</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>
REVENUES:			
Motor Vehicle Highway Funds	\$ 24,000	\$ 23,367	\$ 633
Interest Income	<u>50</u>	<u>91</u>	<u>(41)</u>
TOTAL REVENUES	\$ 24,050	\$ 23,458	\$ 592
EXPENDITURES:			
Wages	\$	\$ 3,243	\$
Social Security		235	
Insurance		529	
Repairs & Maint.		6,002	
Gas and Oil		1,913	
Equipment Rental		2,712	
Traffic Signal		201	
Signs		401	
Road Maintenance		<u>1,211</u>	
	\$ <u>37,570</u>	\$ <u>16,447</u>	\$ <u>21,123</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ (13,520)	\$ 7,011	\$ (20,531)
OTHER FINANCING SOURCES (USES):			
Transfers Out	<u>-0-</u>	<u>(5,842)</u>	<u>5,842</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	\$ <u>(13,520)</u>	\$ 1,169	\$ <u>(14,689)</u>
Fund Balance July 1, 2003		<u>15,714</u>	
FUND BALANCE JUNE 30, 2004		\$ <u>16,883</u>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
REVENUES:			
Motor Vehicle Highway Funds	\$ 11,770	\$ 12,670	\$ (900)
Interest Income	<u>35</u>	<u>88</u>	<u>(53)</u>
TOTAL REVENUES	\$ 11,805	\$ 12,758	\$ (953)
EXPENDITURES:			
Wages	\$	\$ 2,812	\$
Social Security		210	
Signs		141	
Insurance		529	
Repairs & Maint.		164	
Gas and Oil		1,913	
Rental Expense		2,712	
Traffic Signal		191	
Paving & Road Maint.		1,725	
Supplies & Misc.		<u>4,117</u>	
TOTAL EXPENDITURES	\$ <u>20,425</u>	\$ <u>14,514</u>	\$ <u>5,911</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	\$ (8,620)	\$ (1,756)	\$ (6,864)
OTHER FINANCING SOURCES (USES):			
Transfers In	<u>-0-</u>	<u>5,842</u>	<u>(5,842)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)			
	\$ <u>(8,620)</u>	\$ 4,086	\$ <u>(12,706)</u>
Fund Balance July 1, 2003		<u>13,809</u>	
FUND BALANCE JUNE 30, 2004		<u>\$17,895</u>	

The accompanying notes are an integral part of the financial statements.

CAPITAL PROJECTS FUND

Revolving and Improvement Fund

This fund is used to account for monies which have been set aside to provide for expenditures in connection with service expansions resulting from growth of the Village.

VILLAGE OF LENNON
REVOLVING AND IMPROVEMENT FUND
BALANCE SHEET
JUNE 30, 2004

ASSETS

Cash	\$ 2,197
Due from Sewer Fund	<u>18,600</u>
	<u>\$20,797</u>

FUND BALANCE

Fund Balance	<u>\$20,797</u>
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The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
REVOLVING AND IMPROVEMENT FUND
STATEMENT OF CASH REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	6-30-04 <u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
Revenues:			
Other Income	\$ -0-	\$ 1,550	\$(1,550)
Interest Income	<u>-0-</u>	<u>8</u>	<u>(8)</u>
TOTAL REVENUES	\$ -0-	\$ 1,558	\$(1,558)
 Expenditures:			
Bank Fees	\$ <u>-0-</u>	\$ <u>1</u>	\$ <u>(1)</u>
 EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	 <u>\$ -0-</u>	 \$ 1,557	 \$(<u>1,557</u>)
 Fund Balance July 1, 2003		<u>19,240</u>	
 FUND BALANCE JUNE 30, 2004		<u>\$20,797</u>	

The accompanying notes are an integral
part of the financial statements.

ENTERPRISE FUND

Sanitary Sewer Fund - To account for the provision of sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (utility director), operations, maintenance, financing and related debt service, and billing and collection.

VILLAGE OF LENNON
SANITARY SEWER FUND
BALANCE SHEET
JUNE 30, 2004

ASSETS

Current Assets:		
Cash in Bank		\$ 6,924
Accounts Receivable		13,183
Due from Other Funds		10,997
Special Assessment Receivable		<u>936</u>
TOTAL CURRENT ASSETS		\$ 32,040
Long-Term Assets:		
Special Assessment Receivable		3,720
Property, Plant and Equipment:		
Sewer System	\$581,011	
Accumulated Depreciation	<u>272,897</u>	<u>308,114</u>
		<u>\$343,874</u>

LIABILITIES AND FUND EQUITY

Current Liabilities:		
Accounts Payable		\$ 201
Due to Other Funds		146,402
Due to Taxpayers		<u>102</u>
TOTAL CURRENT LIABILITIES		\$146,705
Fund Equity:		
Retained Earnings		<u>197,169</u>
		<u>\$343,874</u>

The accompanying notes are an integral
part of the financial statements

VILLAGE OF LENNON
SANITARY SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND
RETAINED EARNINGS BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>
OPERATING REVENUES:			
Sewer Fees	\$ 34,700	\$ 51,054	\$(16,354)
Interest on Tap-In Fees	20	254	(234)
Sewer Penalties	1,300	805	495
Interest Inc./Other	200	157	43
Special Assessment	<u>2,500</u>	<u>-0-</u>	<u>2,500</u>
TOTAL OPERATING REVENUES	\$ 38,720	\$ 52,270	\$(13,550)
OPERATING EXPENSES:			
Administrative Wages		\$ 361	\$
Social Security		0	
Bank Charges & Misc.		354	
Prof. Fees		460	
Maintenance		34,723	
Depreciation		11,160	
Interest Expense		<u>0</u>	
TOTAL OPERATING EXPENSES	\$ <u>26,950</u>	\$ <u>47,058</u>	\$ <u>(20,108)</u>
NET INCOME (LOSS)	\$ 11,770	\$ 5,212	\$ 6,558
OTHER SOURCES (USES) OF FUNDS:			
Transfer In	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
NET INCOME AFTER OTHER SOURCES (USES) OF FUNDS	\$ <u>11,770</u>	\$ 5,212	\$ <u>6,558</u>
Retained Earnings July 1, 2003		<u>191,957</u>	
RETAINED EARNINGS JUNE 30, 2004		<u>\$197,169</u>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON
STATEMENT OF CASH FLOW
SANITARY SEWER FUND
YEAR ENDED JUNE 30, 2004

Cash Flows from Operating Activities:	
Net Income (Loss)	\$ 5,212
Add (Deduct) Items not Affecting Cash:	
Depreciation	11,610
(Increase) in Receivables	(9,129)
(Decrease) in Accounts Payable	(8,230)
(Decrease) in Due to Other Funds	(1,000)
Increase in Due to Other Entities	<u>102</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (1,885)

Cash Flows from Financing Activities:	
Retirement of Debt	\$ <u>-0-</u>
NET DECREASE IN CASH	\$ (1,885)

Cash and Cash Equivalents at the Beginning of Year	<u>8,809</u>
--	--------------

CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ <u><u>6,924</u></u>
--	------------------------

Supplemental Disclosure of Cash Flow Information:	
Cash Paid During the Year for:	
Interest	\$ <u><u>-0-</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

GENERAL FIXED ASSET ACCOUNT GROUP

To account for fixed assets not used
in proprietary fund operations.

VILLAGE OF LENNON
GENERAL FIXED ASSET ACCOUNT GROUP
BALANCE SHEET
JUNE 30, 2004

	<u>6-30-03</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>6-30-04</u>
Land	\$ 2,500	\$ -0-	\$ -0-	\$ 2,500
Bldgs. & Improve.	154,785	-0-	-0-	154,785
Mach. & Equip.	61,797	18,890	18,500	62,797
Furn. & Fixt.	<u>20,089</u>	<u>3,200</u>	<u>-0-</u>	<u>23,289</u>
	<u>\$239,171</u>	<u>\$22,100</u>	<u>\$18,500</u>	<u>\$242,771</u>

The accompanying notes are an integral part of the financial statements.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

To account for long-term contract for the
purchase of Police and DPW building.

VILLAGE OF LENNON
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BALANCE SHEET
JUNE 30, 2004

ASSETS

Amount to be Provided for Retirement of Contracts	<u>\$64,500</u>
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LIABILITIES

Contracts Payable	<u>\$64,500</u>
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The accompanying notes are an integral
part of the financial statements.

VILLAGE OF LENNON
CONTRACTS PAYABLE - POLICE/DPW BUILDING
JUNE 30, 2004

<u>DATE</u>	<u>PRINCIPAL PAYMENT</u>
7-1-04	\$ 10,750
7-1-05	10,750
7-1-06	10,750
7-1-07	10,750
7-1-08	10,750
7-1-09	<u>10,750</u>
	\$ <u>64,500</u>

This is an interest free contract.

The accompanying notes are an integral
part of the financial statements.



DEMIS and WENZLICK, P.C.

Certified Public Accountants

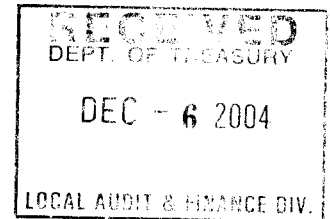
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Joyce M. Simmons
Gail Winnick, C.P.A.

Members of the Village Council
Village of Lennon
Lennon, Michigan



In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the audit our firm performed on the financial statements of the Village of Lennon for the year ended June 30, 2004.

As a result of our audit of the Village's financial statements, we make the following comments:

BUDGET

The Michigan Public Act 621 of 1978, includes compliance requirements in budgeting. Expenditures, under this act, cannot exceed the budget. Expenditures, within the definition of accrual accounting includes any accounts payable at June 30. Expenditures also include any contractual work incurred during the current year, even if there is no obligation to pay for several years.

The total budgeted expenditures should not exceed the total budgeted revenues plus beginning fund balance.

Expenses should be reviewed prior to year end and the budget amended to include all expenses of the period, including transfers to other funds.

CASH DISBURSEMENTS

In our examination of cash disbursements, we found instances where checks had only one signature. An important internal control over cash disbursements is the requirement of two signatures on all checks.

We recommend care in the following Village procedures in the issuance of checks.

PROPERTY TAXES

Delinquent personal property taxes are not paid by the county. It is the Village's responsibility to collect these taxes. There should be more effort to collect these unpaid taxes from prior years. Reports should be given to the council that give the status of these delinquents.

GASB 34

The Government Accounting Standard Board issued Statement #34. This statement significantly changes governmental financial reporting. It requires reporting of infrastructure, including related depreciation and it requires management discussion and analysis of the government's financial condition. The effective date of this statement is June 30, 2004 for the Village of Lennon.

The State of Michigan has indicated it will not enforce compliance with GASB 34. We will, at a later time, itemize both the advantages and disadvantages to the Township of Burn's compliance with this statement.

We wish to thank the Council for the excellent cooperation we received in performing the Village audit. If we can be of any further assistance to the Village in any future matters, please do not hesitate to contact us.

Sincerely yours,

Dennis and Wengrich, P.C.

Certified Public Accountants

October 12, 2004